



IOWA GENERAL ASSEMBLY
LEGISLATIVE SERVICES AGENCY
 DENNIS C. PROUTY, DIRECTOR
 IOWA STATE CAPITOL
 DES MOINES, IA 50319
 515.281.3566
 Fax: 515.281.8027
dennis.prouty@legis.state.ia.us

DIVISIONS

LEGAL SERVICES
 RICHARD L. JOHNSON

•

FISCAL SERVICES
 HOLLY M. LYONS

•

COMPUTER SERVICES
 GLEN P. DICKINSON

•

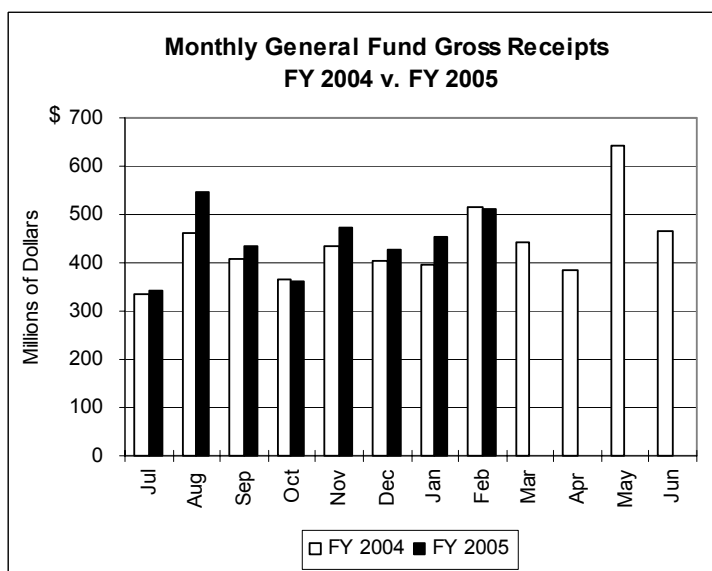
ADMINISTRATIVE SERVICES
 TIMOTHY C. FALLER

MEMORANDUM

TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives
 FROM: Dennis C. Prouty
 DATE: March 1, 2005

Monthly General Fund Receipts through February 28, 2005

The attached spreadsheet presents year-to-date FY 2005 General Fund receipts, with comparable figures for actual FY 2004. The figures can be compared to the FY 2005 estimate of \$5.400 billion set by the Revenue Estimating Conference (REC) on December 14, 2004. The FY 2005 estimate is an increase of \$141.5 million (2.7%) compared to actual FY 2004 gross cash receipts (excluding transfers and accrued revenue changes). The next Revenue Estimating Conference is scheduled for April 8, 2005.



FY 2005 Compared to FY 2004

Fiscal year 2005 total cash gross revenues (excluding transfers) increased \$227.7 million (6.8%) compared to FY 2004 (through February). Major revenue sources contributing to the change include:

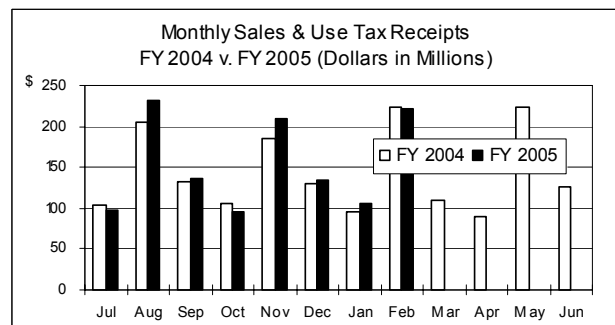
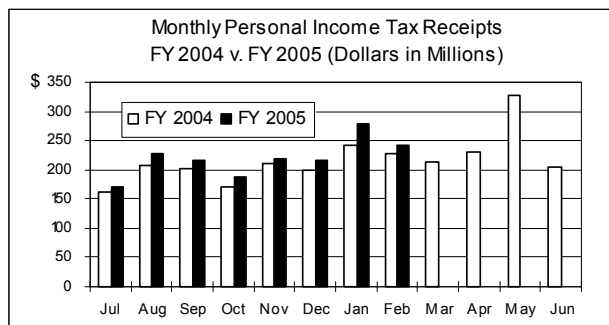
- Personal income tax (positive \$139.4 million, 8.6%)
- Sales/use tax (positive \$51.2 million, 4.3%)
- Corporate tax payments (positive \$25.3 million, 20.0%)
- Other taxes (positive \$6.0 million, 3.6%)
- Other receipts (positive \$5.6 million, 2.4%)

Personal income tax revenues received in February totaled \$241.5 million, an increase of \$15.9 million (7.0%) compared to February 2004. For the month, withholding tax payments increased \$4.1 million and estimate payments increased \$4.2 million. Payments with returns are not usually a significant source of revenue in February, but an old-year return boosted this source by \$7.5 million this year.

For February, receipts from withholding were hampered by an extra Friday payday in the February 2004 receipts (three-Friday effect). This reverses the positive three-Friday effect from January.

Income tax estimate payments increased substantially in December and February, posting a \$24.1 million gain over the two months. As this is the final estimate payment for most taxpayer's tax year 2004, it could mean the income Iowans receive from sources not subject to withholding increased for the year. If this is the case, the State could see strong net revenue gains through the return/refund season (March through May).

The FY 2005 REC income tax estimate of \$2.717 billion represents a projected increase of 4.8% compared to actual FY 2004. Year-to-date, income tax receipts have increased 8.6%. Tax law changes related to bonus depreciation and Section 179 expensing will impact the remainder of the year and should reduce the percentage growth going forward. In addition, revisions to income tax withholding tables will negatively impact the last three months of FY 2005. The following chart compares FY 2005 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2004.



Sales/use tax receipts received in February totaled \$222.4 million, a decrease of \$0.7 million (- 0.3%) compared to February 2004.

The REC estimate for FY 2005 sales/use tax receipts is \$1.767 billion, an increase of 2.0% compared to actual FY 2004. Year-to-date, sales/use tax receipts have increased 4.3%. The preceding chart compares FY 2005 monthly sales/use tax receipts with FY 2004.

Corporate tax receipts received in February totaled \$12.6 million, a \$4.2 million decrease (- 25.0%) compared to February 2004.

The REC estimate for FY 2005 corporate tax receipts is \$230.6 million, which represents a decrease of 1.8% compared to actual FY 2004. Year-to-date corporate tax receipts have increased 20.0%. Tax law changes related to bonus depreciation and Section 179 expensing will impact the remainder of the year and should reduce the percentage growth going forward.

Other tax receipts received in February were \$18.5 million, a \$10.0 million (- 35.1%) decrease compared to February 2004. All other tax sources (except miscellaneous taxes) decreased during the month of February, led by a 64.8% decrease in insurance premium tax receipts.

The REC estimate for FY 2005 receipts from other taxes is \$369.2 million, which represents an increase of 0.7% compared to actual FY 2004. Year-to-date, other tax receipts have increased 3.6%. The year-to-date increase is due to insurance premium tax rate and due date changes taking place in FY 2005 and will result in extra revenue in the first eight months of the fiscal year and reduced revenue during the final four months. This will cause the revenue category to appear above projections during those first eight months.

Other receipts (non-tax receipts) received in February totaled \$18.3 million, a decrease of \$3.8 million (- 17.2%) compared to February 2004. Fee and interest revenue were down for the month.

The REC estimate for FY 2005 other receipt revenue is \$316.2 million, which represents a decrease of 4.8% compared to actual FY 2004. The projected decrease relates to transfers from Area Education Agency balances and the Unclaimed Property Fund. Year-to-date, other receipts have increased 2.4%.

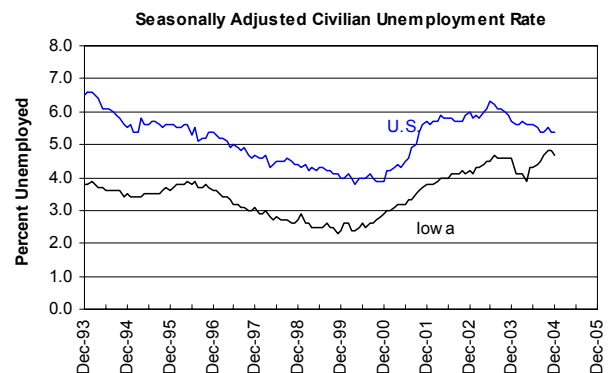
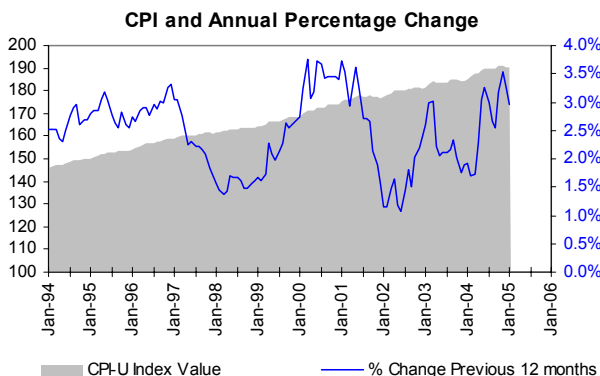
Status of the Economy

The December seasonally adjusted Iowa civilian unemployment rate was 4.7%, a decrease of 0.1% compared to the revised November level and 0.1% higher than one year ago. Iowa's total seasonally adjusted December 2004 employment registered at 1,554,000, up 26,800 (1.8%) from last year's December level. Due to annual revisions to the employment and unemployment data, January numbers are not yet available.

The number of unemployed persons in Iowa was reported at 76,700 in December 2004, an increase of 3,200 compared to December 2003.

The U.S. unemployment rate for December 2004 was 5.4%, 0.7 percentage points above the Iowa rate. For the last four months, the Iowa and national rates have been closer than any time since September 1987. One year ago, the U.S. unemployment rate was 5.7%.

Consumer prices increased 0.2% during the month of January (not seasonally adjusted). The Consumer Price Index (CPI-U) through January 2005 was 190.7 (1983/84=100), 3.0% higher than one year ago. The annual rate of inflation has been generally increasing since March 2004.



Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2004 vs. FY 2005 July 1 through February 28, in millions of dollars Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS in millions of dollars FY 04 Actual Compared to FY 05 REC Estimate		
	FY 2004	FY 2005	Year to Date % CHANGE	February % CHANGE	Actual FY 2004	Estimate FY 2005	Projected % CHANGE
Personal Income Tax	\$ 1,618.4	\$ 1,757.8	8.6%	7.0%	\$ 2,592.3	\$ 2,716.7	4.8%
Sales/Use Tax	1,182.9	1,234.1	4.3%	-0.3%	1,732.4	1,766.8	2.0%
Corporate Income Tax	126.2	151.5	20.0%	-25.0%	234.8	230.6	-1.8%
Inheritance Tax	53.6	52.6	-1.9%	-9.3%	80.1	77.7	-3.0%
Insurance Premium Tax	19.6	27.0	37.8%	-64.8%	138.2	145.0	4.9%
Cigarette Tax	56.5	56.6	0.2%	-6.2%	87.1	88.0	1.0%
Tobacco Tax	5.4	5.7	5.6%	-14.3%	8.0	8.2	2.5%
Beer Tax	9.5	9.5	0.0%	0.0%	14.0	14.0	0.0%
Franchise Tax	21.4	20.4	-4.7%	-50.0%	38.0	35.3	-7.1%
Miscellaneous Tax	1.5	1.7	13.3%	166.7%	1.1	1.0	-9.1%
Total Special Taxes	\$ 3,094.9	\$ 3,317.0	7.2%	0.2%	\$ 4,926.0	\$ 5,083.3	3.2%
Institutional Payments	7.9	8.2	3.8%	11.1%	13.7	13.0	-5.1%
Liquor Profits	34.5	34.5	0.0%	0.0%	58.0	60.1	3.6%
Interest	5.0	6.9	38.0%	-57.1%	7.6	7.0	-7.9%
Fees	54.0	45.4	-15.9%	-36.1%	79.9	65.1	-18.5%
Judicial Revenue	33.6	33.8	0.6%	0.0%	57.5	57.3	-0.3%
Miscellaneous Receipts	34.5	46.3	34.2%	-21.7%	55.2	53.7	-2.7%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 3,324.4	\$ 3,552.1	6.8%	-0.5%	\$ 5,257.9	\$ 5,399.5	2.7%